

## Message Text

SECRET

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

----- 057129

O 101225Z SEP 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 6907

INFO AMEMBASSY TEL AVIV IMMEDIATE

S E C R E T SECTION 1 OF 2 CAIRO 12193

EXDIS

E.O. 11652: GDS

TAGS: PFOR IS EG US

SUBJ: ISRAELI ACTION IN THE GULF OF SUEZ - ELEMENTS  
OF A SOLUTION

REFS: (A) TEL AVIV 6187 (B) TEL AVIV 6112 (C) TEL AVIV 6215  
(D) CAIRO 12170

SUMMARY: REF D DISPATCHED AS IMMEDIATE RESPONSE TO  
REFS A, B AND C WHILE FOLLOWING MORE DETAILED MESSAGE  
WAS UNDER PREPARATION. BOTH SHOULD BE READ  
IN CONNECTION WITH EFFORTS TO FIND SOLUTION TO  
CURRENT PROBLEMS IN GULF OF SUEZ. END SUMMARY

1. WE HAVE READ WITH INTEREST AND STUDIED CAREFULLY  
AMBASSADOR TOON'S CONVERSATIONS WITH RABIN AND  
EVRON (REFTELS) ON GULF OF SUEZ SITUATION.  
WE AGREE THAT PRIMARY CONSIDERATION AT THIS TIME  
IS TO STOP ANY FURTHER INCIDENTS. SUCH INCIDENTS,  
AND MORE IMPORTANTLY, THEIR PUBLIC DISCLOSURE, ONLY  
DRAMATIZE POLITICAL ISSUE OF SOVEREIGNTY IN  
GULF TO DETRIMENT OF PRACTICAL ACCOMMODATIONS  
OF INTERESTS OF ALL CONCERNED. IN BUSINESS-AS-USUAL  
ATMOSPHERE, WE BELIEVE COMPROMISE CAN BE REACHED.  
CRAIG HAS ALREADY TOLD US HE DOES NOT INTEND TO  
SEND MARINER BACK TO SITE 304-1 UNDER PRESENT  
CIRCUMSTANCES. WE BELIEVE HE IS SERIOUS IN WANTING

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TO COOL DOWN SITUATION. ON THEIR SIDE, ISRAELIS

COULD HELP MOSTLY BY MAINTAINING LOW PROFILE IN THIS AREA AND ORDERING SHIPS' COMMANDERS TO TREAT VERY GINGERLY ANY INADVERTENT OR HARMLESS ACTIVITY, SUCH AS EVELYN TIDE'S TRIP SEPTEMBER 6 TO SITE 304-1 TO CONFIRM BUOY SITUATION.

2. WE HOPE THAT DEPARTMENT HAS HAD CHANCE TO CONSULT WITH AMOCO CHICAGO OFFICES REGARDING EXACT BOUNDARIES AND TERMS OF PRE- AND POST -1967 CONCESSIONS. BASED UPON AMBASSADOR TOON'S CONVERSATION WITH PRIME MINISTER RABIN (PARA 7, REF A), ISRAELIS SEEM UNCLEAR AS TO WHETHER SITE 304-1 IS WITHIN CONCESSION GRANTED TO AMOCO AFTER 1967. MAPS AND OFFICIAL GAZETTE TEXTS AVAILABLE TO US FROM BOTH AMOCO AND EGPC SHOW THIS IS CLEARLY NOT THE CASE. CAIRO A-48, APRIL 5, 1976, CONTAINS COMPLETE DESCRIPTION OF 1964 AREAS AS THEY WERE MENTIONED IN RECENT RENEGOTIATION OF THAT CONCESSION BETWEEN AMOCO AND EGPC. AGREEMENT TO WHICH PRIME MINISTER REFERRED (OUR COPY OF GAZETTE IS DATED DEC 16 1974, AND WE CAN FIND NO GAZETTE DATED DEC. 25 ) IS AMOCO'S "SOUTH BELAYIM AREA". THAT ENTIRE AREA, INCLUDING EXTREME EASTERN CORNER OF BLOCK 304, BUT NOT INCLUDING 304-1 WHICH IS FURTHER WEST RPT WEST, IS INDEED COVERED BY STANDARD ANNEX F CONTAINING LANGUAGE MENTIONED. THIS LANGUAGE WAS DEVELOPED BY AMOCO AND EGPC IN 1973 TO COVER PRACTICAL ASPECTS OF ISRAELI OCCUPATION OF SINAI. BOTH COMPANY AND EGPC THEREFORE RECOGNIZE THAT REGARDLESS OF LEGAL POSITION, ISRAELIS STILL DO HAVE PHYSICAL CONTROL OVER WATERS ADJACENT TO SINAI PENINSULA. IN THIS CONNECTION, WE ALSO HAVE LEARNED THAT PARTS OF AMOCO'S 1964 CONCESSION, I.E., THOSE WHICH LIE EAST OF THE MEDIAN LINE, ARE COVERED BY SEPARATE EXCHANGES WITH EGPC IN WHICH EGPC ACKNOWLEDGES SAME CONCEPT AS EMBODIED IN ANNEX F, I.E., CERTAIN AREAS ARE UNAVAILABLE TO THE COMPANY. IN A SENSE THEN, BOTH AMOCO AND EGPC HAVE ALREADY RECOGNIZED DE FACTO EXISTENCE OF ISRAELI PRESENCE SINCE 1967. WERE IT NOT FOR HARSH PUBLIC REVELATIONS AND POLITICAL RAMIFICATIONS OF CURRENT SITUATION,

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PRESUMABLY BOTH WOULD BE WILLING TO CONTINUE TO DO SO, IF SOME COMPROMISE COULD BE FOUND TO ALLOW DEVELOPMENT OF EXISTING FIELDS AND RECENT DISCOVERIES.

3. FROM ALL AVAILABLE INFORMATION EGYPTIANS (EGPC) AND AMOCO HAVE ALREADY ACKNOWLEDGED FACT OF ISRAELI CONTROL OVER EASTERN HALF OF GULF OF SUEZ. MOREOVER, WHILE ISRAELIS HAVE INTERFERED

WITH AMOCO OPERATIONS EAST OF MEDIAN LINE FROM TIME TO TIME, THEY HAVE NEVER UNTIL NOW THREATENED SUBSTANTIVE DEVELOPMENT OF AMOCO DISCOVERIES. ISRAELIS HAVE PERMITTED AMOCO TO DEVELOP RAMAD AND MORGAN FIELDS WHICH ARE BOTH PARTIALLY EAST OF MEDIAN LINE. IT IS HARD FROM OUR VANTAGE POINT, THEREFORE, TO UNDERSTAND STRONG OBJECTION NOW TO AMOCO'S ACTIVITIES. AS MENTIONED REF C, POSSIBLE NEW ELEMENT IN SITUATION IS ISRAELI DESIRE TO SEEK OIL IN THIS AREA. SUCH ISRAELI ACTIVITY WILL RUN DIRECTLY INTO EGYPTIAN GOAL OF PRODUCING MILLION BARRELS A DAY BY 1980 AND AS SUCH COULD EASILY BE INTERPRETED BY GOE AS VERY REAL THREAT TO ITS CONTINUED ECONOMIC AND POLITICAL STABILITY. ISRAELIS SHOULD CERTAINLY BE AWARE OF THE EXTREME IMPORTANCE OF EGYPT'S INCREASING ITS INCOME THROUGH FURTHER DEVELOPMENT OF PETROLEUM RESOURCES IN TERMS OF CONTINUED OVERALL STABILITY.

4. TIME IS, HOWEVER, STILL OF THE ESSENCE. UNLESS OTHER ARRANGEMENTS CAN BE MADE, COMPANY STANDS TO LOSE EXPLORATION RIGHTS IN BLOCK 304 ON SEPTEMBER 21ST. AS MENTIONED PARA 1, REF D, AMOCO MIGHT BE ABLE TO ARRANGE EXTENSION WITH GOE, BUT THIS WOULD REQUIRE GOE ACQUIESCENCE TO ISRAELI PRESSURE TACTICS. IN ADDITION AS WILL BE NOTED IN CAIRO 12028, BOTH AMOCO AND MINPET HAVE DESCRIBED TO US PLANS FOR DRILLING TWO WELLS EAST OF MEDIAN LINE IN DIRECT CONNECTION WITH DEVELOPMENT OF RAMADAN FIELD IN AREA EVEN FURTHER EAST THAN SITE 304-1 (AS DISTINCT FROM PROPOSED WELL AT 304-1, WHICH PRIMARILY DESIGNED TO SAME AMOCO RIGHTS IN THAT BLOCK). SCHEDULED DRILLING ACCORDING TO BOTH SOURCES, IT TO BEGIN IN ABOUT  
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A MONTH. WHILE CERTAINLY SUCH DRILLING COULD BE POSTPONED, SIGNIFICANCE THAN WELL DRILLED AT 304-1 SINCE IT INVOLVES DEVELOPMENT OF ALREADY IDENTIFIED FIELD AND IS DIRECTLY RELATED TO EGYPTIAN PRODUCTION GOAL OF MILLION BARRELS A DAY BY 1980.

5. WITH ABOVE BRIEF BACKGROUND, FOLLOWING ARE OUR IDEAS CONCERNING POSSIBLE COMPROMISE FOR DISCUSSION WITH ISRAELIS.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

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O 101225Z SEP 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 6908

INFO AMEMBASSY TEL AVIV IMMEDIATE

S E C R E T CAIRO SECTION 2 OF 2 CAIRO 12193

EXDIS

(A) AN IMMEDIATE END TO FURTHER INCIDENTS INVOLVING AMOCO OPERATIONS IN AREA AROUND RAMADAN FIELD.  
(B) ISRAELI ACCEPTANCE OF AMOCO OPERATIONS IN ENTIRE AREA AROUND RAMADAN WHICH IS COVERED BY 1964 CONCESSION, I.E. , IN BLOCKS 303, 304, 313. EVEN THOUGH BLOCKS 303, 304 AND 313 LIE EAST OF THE MEDIAN LINE, THERE ARE WITHIN 1964 CONCESSION (EXCEPT FOR EASTERNMOST TIP OF 304) AND WOULD NOT REPRESENT SIGNIFICANT ALTERING OF CURRENT ISRAELI POSITION. AGREEMENT WOULD ALLOW CONTINUED DEVELOPMENT OF RAMADAN FIELD AND HOPEFULLY ELIMINATE FURTHER POLITICIZED EXCHANGES ON THIS MATTER. ACCORDING TO AMOCO, OTHER MAJOR DISCOVERIES ARE WEST OF THE MEDIAN LINE IN THE SOUTHERN PART OF THE CONCESSION, AND ITS MAJOR DEVELOPMENT WORK IN THE NEXT TWO TO THREE YEARS WILL BE IN THIS AREA. SUCH MODUS VIVENDI COULD BE ACCEPTED BY AMOCO (AND EGPC) SINCE IT IS NOT SUBSTANTIALLY DIFFERENT FROM CURRENT STANDARD OPERATING PROCEDURES.  
(C) ISRAELI AGREEMENT NOT TO INTERFERE WITH AMOCO'S SEISMIC WORK AND OTHER ACTIVITIES IN PRE-1967 CONCESSION ZONE IN AREA WEST OF LINE DRAEN THROUGH EASTERNMOST PLATFORM OF MORGAN FIELD. THIS WOULD ELIMINATE ANY FURTHER INCIDENTS WHICH MIGHT MAR THE TRANQUILITY OF OPERATIONS IN THE AREA.

6. UNANSWERED QUESTION IS THAT OF ISRAELI INTENTIONS

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REGARDING EXPLORATION AND DEVELOPMENT EAST OF  
MEDIAN LINE WHICH COULD SERIOUSLY COMPLICATE ANY  
MOVE TO FIND WORKABLE SOLUTION IN BULF OF SUEZ.  
ANY SUCH INSRAELI MOVE WOULD CERTAINLY BRING STORM  
OF PROTESTS FROM EGYPTIANS, REOPEN ENTIRE MATTER,  
AND BRING PRESSURE ON US TO STOP SUCH ISRAELI  
ACTIVITY. IT IS IMPORTANT, THEREFORE, FOR US TO  
HAVE GOOD IDEA OF WHAT ISRAELI PLANS IN THIS  
AREA ARE.

7. AS STATED REF D, PRACTICAL SOLUTION OUTLINED  
ABOVE DEPENDS ON OUR JUDGEMENT OF IMPORTANCE OF  
OUR LEGAL POSITION ON JURISDICTION IN GULF OF SUEZ  
AND WHETHER THAT WOULD BE UNACCEPTABLY COMPROMISED  
BY SUCH A DEAL.

8. FYI: AT FOREIGN MINISTER'S DIRECTION, DIRECTOR MFA LEGAL  
DEPT HEADING COMMITTEE OF EXPERTS TO DRAW UP DETAILED GULF  
OF SUEZ LEGAL/POLITICAL POSITION. THIS POSITION IS  
LIKELY TO BE PRESENTED TO SECRETARY BY FAHMY DURING  
MEETING IN WASHINGTON OR NEW YORK LATER THIS MONTH.  
IF PRACTICAL SOLUTION REACHED PRIOR TO MEETING  
FAHMY'S DEMARCH TO SECRETARY MAY BE SOMEWHAT LESS  
EMOTIONAL. END FYI.

9. (N.B.: WE ARE INTRIGUED BY REFERENCE WHICH  
PRIME MINISTER MADE TO "MORGAN FIELD AND JAPANESE  
CONCESSIONS" IN WHICH HE SEEMED INDICATE THAT SOME  
COMPROMISE WORKED OUT BETWEEN OUR TWO GOVERNMENTS  
WHICH ALLOWED AMOCO TO DEVELOP MORGAN FIELD EVEN  
THOUGH IT LIES ALMOST TOTALLY EAST OF GULF OF SUEZ  
MEDIAN LINE. OUR FILES AND INSTITUTIONAL MEMORIES  
DO NOT GO BACK THAT FAR AND WE WOULD APPRECIATE  
DEPT'S RESEARCH ON WHAT ACTUALLY TOOK PLACE AT  
THAT TIME.)

10. FOR NEA/EGY: PLEASE ASSURE THAT AMBASSADOR  
EILTS SEES THESE EXCHANGES.  
MATTHEWS

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## Message Attributes

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